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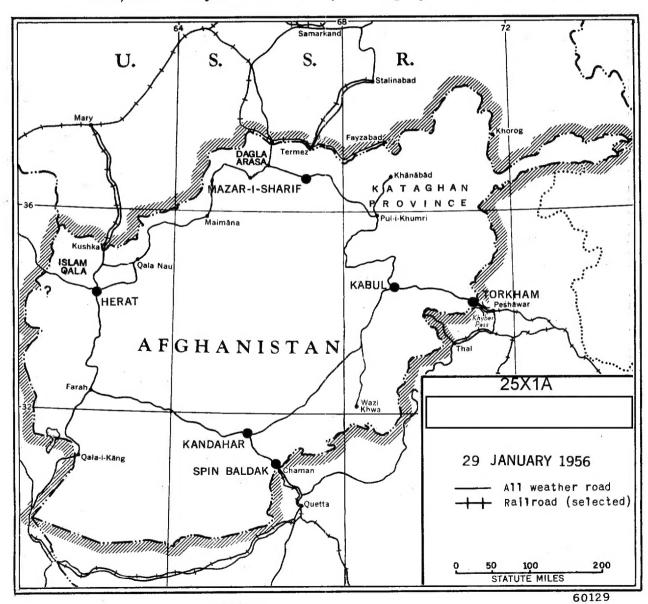
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1. SOVIET PARTICIPATION IN NEW AFGHAN FIVE-YEAR 25X1A PLAN

25X1A

The USSR, through projects financed under the recent \$100,000,000 credit offer to Afghanistan, apparently will play an important part in the fulfillment of the new Five-Year Plan announced by the Afghan government on 22 January. A high-level, eight-man Soviet delega-

tion, headed by N. A. Smelov, the deputy chief of the USSR's



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Chief Directorate of Economic Relations, arrived in Kabul on 24 January to negotiate agreements in connection with the credit offer. Economic arrangements concluded by this delegation probably will provide for use of only part of the total credit figure. Smelov is also authorized to sign military agreements.

Kabul's first Five-Year Plan, probably hastily drafted after the Khrushchev-Bulganin visit last December, includes agricultural development projects; small dams and canal projects; expansion of air service and the improvement of airfields at Kabul, Kandahar, Herat, Mazar-i-sharif, and in Kataghan province; improvement of main roads in northern Afghanistan and on the Torkham-Kabul, Kabul-Kandahar, and Kandahar-Spin Baldak routes; development of mineral resources and industry; banking reforms and the establishment of an Industrial Bank; and expansion of Kabul University.

The USSR is known to be interested in participating in many of the above projects. The new Afghan plan probably will utilize Afghan government funds and Western aid as well as Soviet financing. The Morrison Knudsen company is already at work on Kandahar airport and at present seems unlikely to be supplanted by a Soviet organization either there or in its Helmand Valley project. Morrison Knudsen, which constructed the Kandahar-Spin Baldak highway some years ago and is now at work on roads east and south of Kabul, may also be requested to undertake much of the planned roadwork in southern Afghanistan. Certain projects may also be assigned to West Germans. (Prepared jointly with ORR)

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#### 2. USSR MAKES NEW OVERTURES TO JAPANESE PREMIER

25X1A	The Japanese press on 27 January pub-
	lished an informal Soviet proposal to
	Premier Hatoyama which included an
	expression of intent unilaterally to termi-
,	nate the state of war with Japan around 30 January. The pro
	posal reflects Khrushchev's views expressed to a Japanese
	parliamentary delegation in Moscow last September, when
	he said that termination of the state of war, repatriation of
	prisoners of war, and establishment of diplomatic relations
	would be the initial steps of a Japanese-Soviet settlement
	and should occur as a series of related actions.

The USSR will probably insist that repatriation of prisoners be made contingent on establishment of diplomatic relations. The Soviet desire to avoid discussion of controversial questions at this time has been evident at the Soviet-Japanese negotiations in London.

The Japanese Foreign Ministry has thus far remained firm in insisting that the establishment of Soviet-Japanese diplomatic relations must be preceded by a settlement of the other unresolved issues. Hatoyama and his close advisers have favored a settlement along the line of the present Soviet proposal in the past, however, and they may have decided to release the proposal to the press in hopes of eventually creating a favorable public reaction.

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#### 3. PEIPING REQUESTS ANOTHER GENEVA CONFERENCE ON INDOCHINA

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A note from Chou En-lai sent to the British embassy in Peiping on 26 January states that Communist China "strongly condemns the con-

tinued disregard of the Geneva agreements by the Ngo Dinh Diem government" and "deems it necessary that another Geneva conference on Indochina be convened" to discuss the question of the implementation of the Geneva agreements. The Chinese Communists propose that the three member countries of the International Control Commission--India, Poland, and Canada--be invited to participate in this conference.

#### Comment

The British Foreign Office has confidentially informed the American embassy in London that if Moscow should support Peiping's note, Britain will stall by citing the need to get the views of all governments concerned.

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